

# **Texas Local Government Investment Pool Prime**

Financial Report  
August 31, 2025

## **Texas Local Government Investment Pool Prime**

### **Contents**

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<b>Independent Auditor's Report</b>	<b>1-3</b>
Management's Discussion and Analysis (unaudited)	4-9
<b>Financial Statements</b>	
Statements of Fiduciary Net Position	10
Statements of Changes in Fiduciary Net Position	11
Notes to Financial Statements	12-18
<hr/>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19-20

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## Independent Auditor's Report

Honorable Kelly Hancock  
Acting Comptroller of Public Accounts of the State of Texas  
Texas Local Government Investment Pool Prime

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of Texas Local Government Investment Pool Prime (TexPool Prime) an investment trust fund of the Texas Treasury Safekeeping Trust Company (Texas Trust), as of and for the years ended August 31, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of TexPool Prime, an investment trust fund of Texas Trust, as of August 31, 2025 and 2024, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

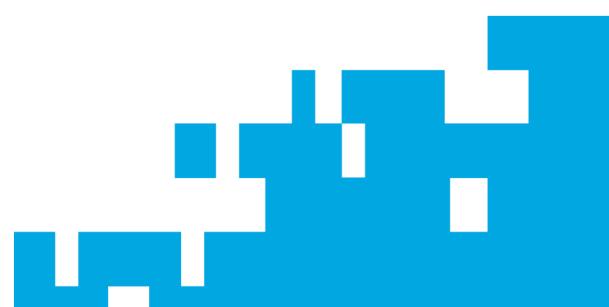
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Texas Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only TexPool Prime, an investment trust fund of Texas Trust, and do not purport to, and do not, present fairly the financial position of the Texas Trust, as of August 31, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TexPool Prime's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2025, on our consideration of TexPool Prime's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TexPool Prime's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TexPool Prime's internal control over financial reporting and compliance.

*RSM US LLP*

Austin, Texas  
December 13, 2025

## Texas Local Government Investment Pool Prime

### Management's Discussion and Analysis (unaudited) Years Ended August 31, 2025 and 2024

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The Texas Local Government Investment Pool Prime's (TexPool Prime) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues and provide a performance overview of TexPool Prime's operations for the years ended August 31, 2025 and 2024.

#### Overview of the Financial Statements and Condensed Financial Information

This annual financial report consists of two parts:

- Management's discussion and analysis
- Basic financial statements
  - Statements of Fiduciary Net Position
  - Statements of Changes in Fiduciary Net Position
  - Notes to the Financial Statements

The Statements of Fiduciary Net Position present the financial position of TexPool Prime at the end of the fiscal year and includes all assets and liabilities of TexPool Prime. The difference between total assets and total liabilities—net position—equals the sum of all participants' interest in TexPool Prime. At August 31, net position was calculated as follows:

	2025	2024	2023
Total assets	\$ 15,773,727,094	\$ 14,344,388,441	\$ 12,858,810,363
Total liabilities	(58,659,759)	(66,215,551)	(54,260,168)
Restricted fiduciary net position held in trust for pool participants	\$ 15,715,067,335	\$ 14,278,172,890	\$ 12,804,550,195

Additional participations in TexPool Prime and competitive yield made TexPool Prime a more attractive investment opportunity, which led to an increase in total assets under management.

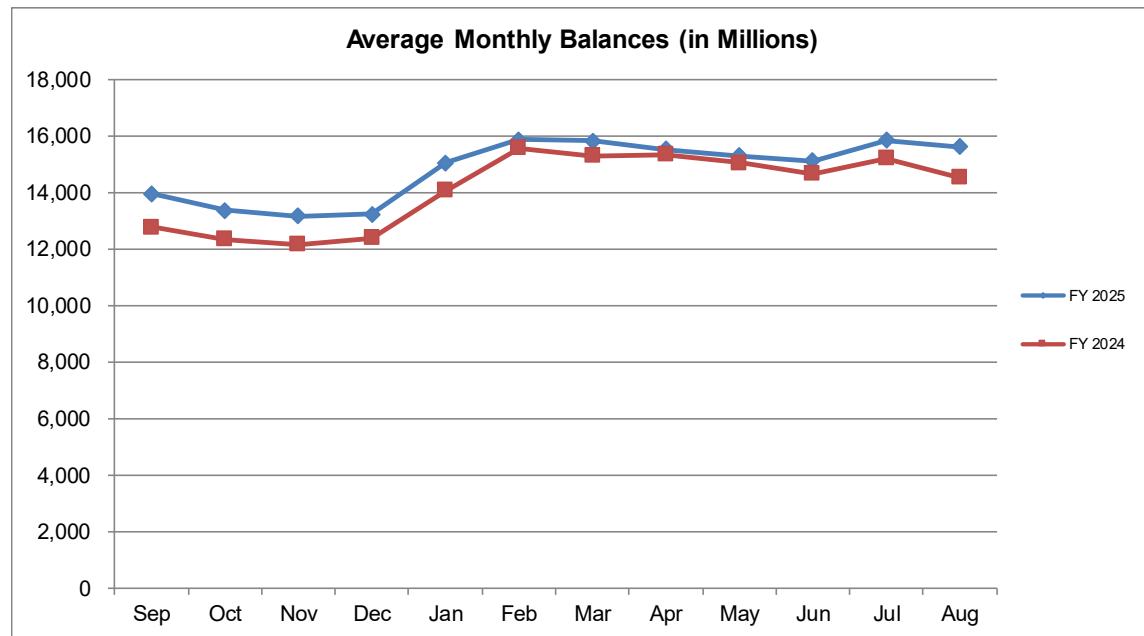
The Statements of Changes in Fiduciary Net Position present the activity within the net position balance for the year ended. Significant activity accounts include net investment income, earnings distributions and net contributions/withdrawals by participants. The changes in net position for the years ended August 31, were as follows:

	2025	2024	2023
Net investment income	\$ 682,307,420	\$ 780,029,950	\$ 520,179,350
Earnings paid to investors from net investment income	(682,307,420)	(780,029,950)	(520,179,350)
Net increase in participant investments	1,436,894,445	1,473,622,695	2,683,048,376
Net increase in restricted fiduciary net position	\$ 1,436,894,445	\$ 1,473,622,695	\$ 2,683,048,376

## Texas Local Government Investment Pool Prime

### Management's Discussion and Analysis (unaudited) Years Ended August 31, 2025 and 2024

The average monthly balance in TexPool Prime grew to \$15.9 billion in February 2025 up from \$13.2 billion in November 2024. The average monthly balance as of August 31, 2025, was approximately \$15.6 billion.



During fiscal years 2025 and 2024, the management and administrative fee rate to operate TexPool Prime was set at 5.5 basis points (0.055%). During both fiscal years 2025 and 2024, management fees were rebated on various occasions. During fiscal year 2025, the average net monthly fee ranged from a high of 5.5 basis points (0.0550%) to a low of 5.27 basis points (0.0527%). During fiscal year 2024, the average net monthly fee ranged from a high of 5.50 basis points (0.0550%) to a low of 4.79 basis points (0.0479%).

The notes to the financial statements provide narrative explanations of accounting policies and additional data needed for full disclosure as required by accounting principles generally accepted in the United States of America.

## **Texas Local Government Investment Pool Prime**

### **Management's Discussion and Analysis (unaudited) Years Ended August 31, 2025 and 2024**

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#### **Fiscal Year 2025 Performance**

The Federal Reserve (Fed) follows a dual mandate to address inflation and employment, formally stated as seeking price stability and full employment. The central bank seldom reveals which of the two it pays the most attention to at any given time. Yet that turned out to be the case early in the reporting period. After Fed Chair Jerome Powell had teed up a rate cut at the Fed's central banking annual symposium in Jackson Hole, Wyoming shortly before the period began, expressing concern over a softening labor market, the Federal Open Market Committee (FOMC) followed through with policy easing at its September 2024 meeting. This decision signaled a shift in the Fed's priorities, with employment concerns temporarily outweighing inflation risks.

That announcement did not appear to prepare investors for the large 50 basis-point rate cut that was announced. That reduction, the first since the extended policy-tightening phase began in 2022, took the federal funds target range from 5.25-5.50% to 4.75-5%, and two subsequent more modest 25 basis-point rate cuts at the next two FOMC meetings lowered the target range to 4.25-4.50% by the end of 2024. Amid an eventful 2025, the policy target range remained unchanged for the remainder of the reporting period.

Economic complexities due to changing US policies, including tariffs, impacted the Fed's outlook for the remainder of the period. These developments added complexity to the Fed's policy outlook, as trade tensions threatened to disrupt supply chains and pricing dynamics. This economic uncertainty put the Fed in a "wait and see" mode, leaving the fed funds target range at 4.25-4.50%. However, the continued softening of the labor market and the economy suggested it would need to lower rates soon. While not repeating the clarity of 2024, Powell's speech at the Jackson Hole symposium in August included the line, "the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance." The markets interpreted the Fed's tone as cautiously supportive and took this as confirmation that the September FOMC meeting would produce a quarter-point cut. This expectation was further reinforced by recent economic indicators showing continued weakness in hiring and consumer spending.

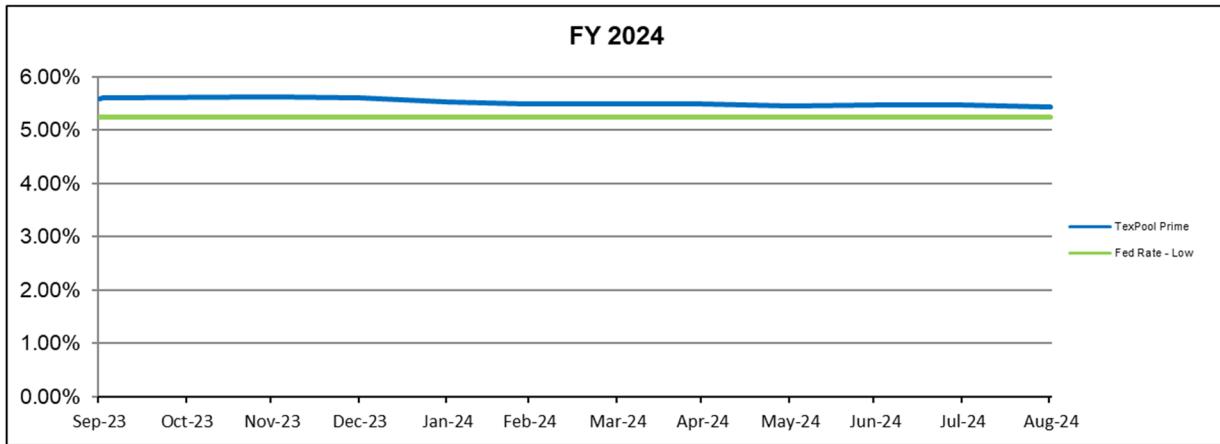
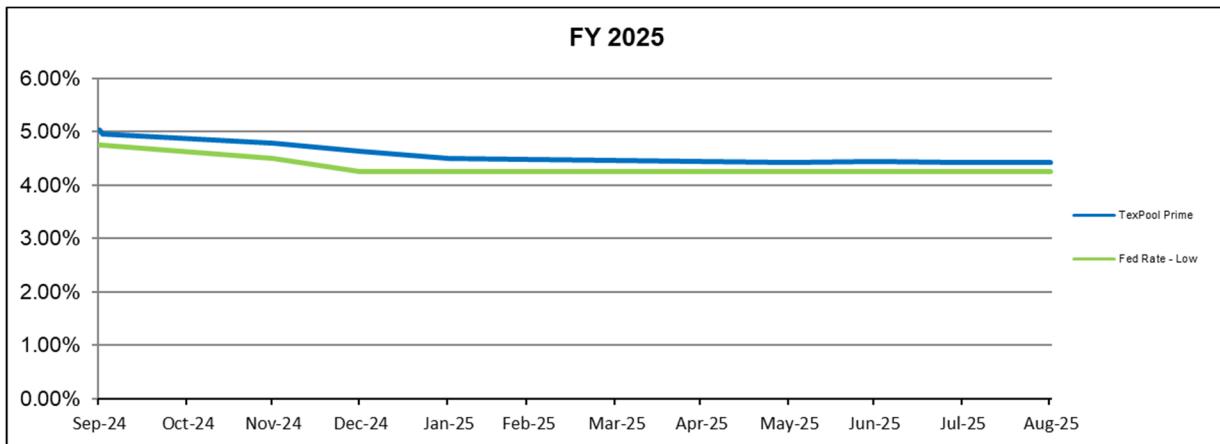
TexPool Prime's average maturity ended the reporting period at 44.94 days, assets under management were \$15.7 billion and the average 7-day net yield was 4.42%. Yields on 1-, 3-, 6- and 12-month US Treasuries were 4.32%, 4.14%, 3.98% and 3.84%, respectively.

## Texas Local Government Investment Pool Prime

### Management's Discussion and Analysis (unaudited) Years Ended August 31, 2025 and 2024

#### TexPool Prime vs. Fed Funds Rate

The following graphs depict the TexPool Prime yield and the Fed rate for 2025 and 2024:



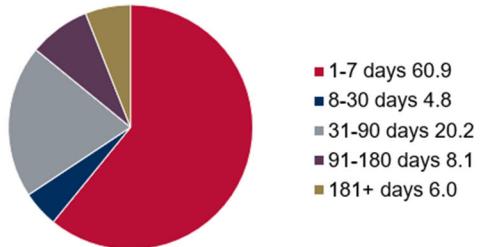
## Texas Local Government Investment Pool Prime

### Management's Discussion and Analysis (unaudited) Years Ended August 31, 2025 and 2024

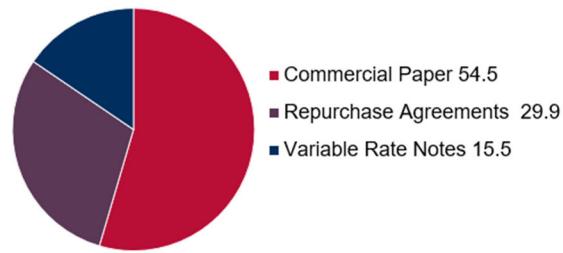
#### TexPool Prime Information as of August 31, 2025

Additional information on the TexPool Prime portfolio is reflected in the following graphics, which are available at [www.texpool.com](http://www.texpool.com):

**Portfolio by Maturity (%)**  
As of August 31, 2025



**Portfolio by Type of Investment (%)**  
As of August 31, 2025



#### Participant Summary

	Number of Participants	Balance
School District	176	\$4,881,937,811
Higher Education	20	\$1,277,687,208
County	60	\$1,229,104,069
Healthcare	26	\$447,027,707
Utility District	91	\$553,045,023
City	136	\$2,996,901,601
Emergency Districts	41	\$280,685,868
Economic Development Districts	25	\$53,363,457
Transit/Toll Authorities	10	\$1,186,318,457
River/Port Authorities	8	\$1,123,974,523
Other	93	\$1,685,018,404

#### Fiscal Year 2024 Performance

Greatly exaggerated in late 2023, the report of the death of “higher for longer” interest rates turned out to be mistaken in the reporting period.

When the Board of Governors of the Federal Reserve System (the Fed) raised the federal funds target range to a 16-year high of 5.25% in July of 2023, many economists and investors conjectured that the tightening campaign would push the U.S. economy into a recession. To avoid this, policymakers would soon need to reverse course. In fall, inflation reports appeared to support this prediction, as they showed continuing decline from the multi-decade highs reached in 2022. The market narrative that rates would not stay “higher for longer” gained momentum. But while they did not hike again in fall, policymakers showed no urgency to end the campaign.

## **Texas Local Government Investment Pool Prime**

### **Management's Discussion and Analysis (unaudited) Years Ended August 31, 2025 and 2024**

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The markets, by way of federal funds futures trading, began to more forcefully question why Fed officials were not considering a pivot to easing as the impact of monetary policy tends to lag. Fed officials pushed back, reiterating their concern that inflation not only might fail to decline to their long-held 2% target, but also could reverse course. Retail sales remained elevated on the back of a strong employment and, while deteriorating, economic indicators were not plunging. But somewhat surprisingly, the Fed seemed to acquiesce in December, forecasting 75 basis-points worth of rate cuts in 2024 (though the futures markets called for more).

The sought-after rate cut did not materialize in the first quarter, as measures of consumer and producer inflation proved sticky. Policymakers played it safe by keeping the target range at 5.25-5.5% throughout the first quarter. Economists' opinions varied on the reasons prices and costs remained elevated. But most agreed that the robust labor situation played a key role due to the time-tested adage that Americans spend if they have a dependable source of income.

Eventually, the strength of the economy converted skeptics into believers that the U.S. might not only avoid a recession, but also even a marked slowdown. This is the scenario that Fed Chair Jerome Powell frequently mentioned as potentially achievable. But he admitted that the longer they leave the target range at the elevated level, the greater the risk of damaging the economy. His bigger fear was that prematurely pulling policy back could repeat the mistake of the 1970s, when inflation roared back soon after the Fed cut rates. At the May Federal Open Market Committee (FOMC) meeting, policymakers agreed, keeping rates in the target range. The meeting statement acknowledged that, "there has been a lack of further progress toward the Committee's 2% inflation objective."

This stance was affirmed when the FOMC convened in June. Again holding rates steady, policymakers indicated only a single quarter-point cut this year would fit the bill. However, they did begin to reduce the amount the Fed tapered its balance sheet. Since June of 2022, it had allowed \$60 billion of U.S. Treasuries and \$35 billion of mortgage-backed securities (MBS) to mature without replacing them. Determined to avert any liquidity issues in the vast Treasury market, the FOMC slowed that pace in June, lowering the monthly cap on U.S. Treasuries from \$60 billion to \$25 billion, while keeping the MBS cap at \$35 billion.

After yet again holding rates steady in July, Powell said that the Fed had shifted its focus from inflation to the labor market, which finally showed signs of cooling. This gained urgency with the Labor Department's substantial downward revision of jobs added this past year and due to Powell's dovish comments at the Fed's central bank symposium at Jackson Hole, Wyo. The reporting period ended with consensus expectations that policymakers would finally reduce the target range in September.

TexPool Prime's average maturity ended the reporting period at 40 days, assets under management were \$14.3 billion and the average 7-day net yield was 5.43%. Yields on 1-, 3-, 6- and 12-month U.S. Treasuries were 5.26%, 5.10%, 4.87% and 4.41%, respectively.

**Texas Local Government Investment Pool Prime**

**Statements of Fiduciary Net Position**

**August 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Assets</b>		
Cash	\$ 451	\$ 940
Investments, at amortized cost:		
Securities purchased under agreement to resell	4,716,618,000	3,589,809,000
Commercial paper	<u>11,036,798,672</u>	10,731,265,253
	<b>15,753,416,672</b>	14,321,074,253
Accrued interest receivable	<b>20,309,971</b>	23,313,248
<b>Total assets</b>	<b><u>15,773,727,094</u></b>	14,344,388,441
<b>Liabilities</b>		
Amounts payable to participants	58,588,718	66,172,638
Accounts payable and accrued expenses	<u>71,041</u>	42,913
<b>Total liabilities</b>	<b><u>58,659,759</u></b>	66,215,551
<b>Restricted fiduciary net position held in trust for pool participants</b>	<b><u>\$ 15,715,067,335</u></b>	\$ 14,278,172,890

See accompanying notes to financial statements.

**Texas Local Government Investment Pool Prime**

**Statements of Changes in Fiduciary Net Position**  
**Years Ended August 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
Additions:		
Investment income:		
Interest income	\$ 690,424,211	\$ 787,232,542
Expenses:		
Management fees and expenses	(8,116,791)	(7,202,592)
<b>Net investment income</b>	<b>682,307,420</b>	<b>780,029,950</b>
Earnings paid to investors from net investment income	(682,307,420)	(780,029,950)
Individual participant investment account transactions:		
Subscriptions	27,737,551,814	27,733,758,163
Reinvestments	684,830,035	755,110,101
Redemptions	(26,985,487,404)	(27,015,245,569)
<b>Net increase in participant investments</b>	<b>1,436,894,445</b>	<b>1,473,622,695</b>
<b>Net increase in fiduciary net position</b>	<b>1,436,894,445</b>	<b>1,473,622,695</b>
Restricted fiduciary net position held in trust for pool participants at beginning of year	<u>14,278,172,890</u>	12,804,550,195
Restricted fiduciary net position held in trust for pool participants at end of year	<u>\$ 15,715,067,335</u>	<u>\$ 14,278,172,890</u>

See accompanying notes to financial statements.

## Texas Local Government Investment Pool Prime

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Background and reporting entity:** On September 1, 1989, local government investment pools became authorized investments for the majority of public entities in Texas. The Interlocal Cooperation Act was amended by the 71st Texas Legislature to facilitate the creation of local government investment pools in Texas. This act permits the creation of investment pools to which any political subdivision (local government) in Texas may delegate, by contract, the authority to make investments purchased with local investment funds and to hold legal title as custodian of the investment securities.

The Texas Legislature authorized the State Treasurer to incorporate a special-purpose trust corporation in 1986 called the Texas Treasury Safekeeping Trust Company (Texas Trust). The Texas Trust has direct access to the services of the Federal Reserve Bank and performs other activities. It is specifically authorized to manage, disburse, transfer, safekeep and invest public funds and securities.

The Texas Trust created the Texas Local Government Investment Pool Prime (TexPool Prime) as a public funds investment pool. Eligible participants include, but may not be limited to, incorporated cities, counties, villages, certain types of water districts, school districts, junior college districts, community college districts and certain other special districts in the state of Texas. TexPool Prime began operations on December 27, 2002. On September 1, 1996, the operations of the State Treasury, including the Texas Trust, were merged with the State Comptroller of Public Accounts (State Comptroller).

The administrative and investment services to TexPool Prime are provided by Federated Hermes, Inc. (Federated Hermes) under an agreement with the Texas Trust effective March 29, 2019. The previous contract, which was effective through 2024, was renewed on March 29, 2019, and the terms of the agreement were extended through December 31, 2024. The current contract was executed on December 17, 2024, effective through December 31, 2026.

Federated Hermes is the investment manager and State Street Bank and Trust is the custodian for TexPool Prime. Federated Hermes provides fund accounting and transfer agency services to TexPool Prime. Effective July 1, 2004, Federated Hermes outsourced the transfer agent function to DST Asset Manager Solutions, Inc. Federated Hermes is the administrator for the TexPool Prime program providing participant services and marketing functions to TexPool Prime participants. Federated Hermes is the participant contact point for account maintenance, assistance with transactions and other administrative information.

TexPool Prime is established as an investment trust fund with the Texas Trust as trustee, segregated from all other trustors, investments and activities of the Texas Trust. Only local governments having contracted to participate in TexPool Prime (Participants) have an undivided beneficial interest in its pool of assets. TexPool Prime is not registered with the Securities and Exchange Commission (SEC) as an investment company.

These financial statements include only the operations of TexPool Prime and do not purport to, and do not, present the financial position of the Texas Trust as of August 31, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended. The State Comptroller has established an eight member TexPool Advisory Board (Advisory Board) composed equally of Participants in the TexPool portfolios (TexPool and TexPool Prime) and other persons who do not have a business relationship with TexPool Prime. Advisory Board members review TexPool Prime's investment policy and management fee structure.

## Texas Local Government Investment Pool Prime

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

The State Comptroller exercises oversight responsibility over all other aspects of TexPool Prime, including investment and accounting activity, development plans, etc. Oversight responsibility is demonstrated by financial interdependency, ability to significantly influence operations, designation of management and accountability for fiscal matters. As a result, the financial statements of TexPool Prime are included in the financial statements of the Texas Trust as an investment trust fund, which are ultimately included in the financial statements of the state of Texas.

**Basis of accounting:** The accounting and reporting policies of TexPool Prime relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for state and local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) in its publication *Codification of Governmental Accounting and Financial Reporting Standards* (the Codification).

The financial statements of TexPool Prime are presented as an investment trust fund (a type of fiduciary fund) using the economic resources measurement focus and accrual basis of accounting. Investment income is recorded when earned and expenses are recorded when incurred. Net investment income is allocated to Participant accounts monthly on a pro-rata basis. All gains and losses from the sale of securities are distributed among Participants and will be amortized over the remaining term to maturity of the liquidated securities. Participants may redeem their accounts at any time based on the previous day's balance of their account. Unrealized gains or losses are not allocated to Participant accounts.

In accordance with GASB requirements applicable to investment pools, investments are carried at amortized cost, which approximates fair value, as provided for by the Codification. Investments are priced daily and compared to TexPool Prime's carrying value. If the ratio of the fair value of the portfolio of investments to the carrying value of investments is less than 0.995 or greater than 1.005, TexPool Prime will sell investment securities, as required, to maintain the ratio at a point between 0.995 and 1.005.

**Expenses:** Expenses applicable to all Participants, paid in the form of a management fee to Federated Hermes, were allocated between all Participants as an adjustment to the daily investment yield so that only net investment income is credited to Participants accounts. The Advisory Board has the responsibility under the provisions of the TexPool Prime Participation Agreement to approve any modifications or other amendments of the management fee structure.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and fund net position at the date of the financial statements. Actual results could differ from those estimates.

#### Note 2. Management Fees and Other Transactions With Affiliates

The Texas Trust, in order to recover its costs of operating TexPool Prime, established a management fee for basic services provided to the Participants. Effective March 29, 2019 (at the execution of a new contract), the total management fee rate was 5.5 basis points (0.055%), including one-half basis-point (0.0050%) of Texas Trust's administrative fee. Under the current contract with Federated Hermes, the management fee may not be raised for the duration of the contract. The current contract was executed December 17, 2024, and is effective through December 31, 2026.

## **Texas Local Government Investment Pool Prime**

### **Notes to Financial Statements**

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#### **Note 2. Management Fees and Other Transactions With Affiliates (Continued)**

During fiscal years 2025 and 2024, fees were reduced from the maximum allowed under the contract on various occasions. Fees are rebated when TexPool Prime is invested in an affiliated money market product. During fiscal year 2025, the average monthly fee ranged from a high of 5.50 basis points (0.0550%) to a low of 5.27 basis points (0.0527%). During fiscal year 2024, the average monthly fee ranged from a high of 5.50 basis points (0.0550%) to a low of 4.79 basis points (0.0479%).

#### **Note 3. Investments**

Investments of TexPool Prime are only those authorized by the Texas Public Funds Investment Act governing pools for local governments, which was in effect as of and prior to August 31, 2025 and 2024. The portfolio may include the following:

1. Obligations of the United States or its agencies and instrumentalities.
2. Direct obligations of the state of Texas or its agencies and instrumentalities.
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.
4. Other obligations, for which the principal and interest are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the state of Texas or the United States or its agencies and instrumentalities.
5. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by nationally recognized investment rating firms and having received a rating of not less than A or its equivalent.
6. Bonds issued, assigned, or guaranteed by the State of Israel.
7. Certificates of deposit issued by state and national banks domiciled in the state of Texas, a savings bank domiciled in the state of Texas, or a state or federal credit union domiciled in the state of Texas that are:
  - (a) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor.
  - (b) Secured by obligations as described in items one through four above, which are intended to include all direct federal agency or instrumentality issued mortgage-backed securities that have a market value of not less than the principal amount of the certificates but excluding mortgage-backed securities described by Section 2256.009(b) of the Texas Public Funds Investment Act.
  - (c) Secured in any other manner and amount provided by law for deposits of the investing entity.
8. Fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by item 1 above, pledged with a third party selected or approved by TexPool Prime, and placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the state of Texas.
9. Such other investments as may be authorized by the Texas Public Funds Investment Act, Chapter 2256 of Government Code.

## **Texas Local Government Investment Pool Prime**

### **Notes to Financial Statements**

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#### **Note 3. Investments (Continued)**

The above investments are the legally permitted investments; however, the TexPool Advisory Board has ratified an investment policy which further limits TexPool Prime's portfolio to certain of the investments listed above. The investment policy does not allow for derivative securities.

The State Comptroller approved the current TexPool Prime investment policy effective August 2025 and 2024, which has been reviewed by the TexPool Advisory Board. Under this investment policy, the following are authorized investments:

- Obligations of the United States, its agencies or instrumentalities, including the Federal Home Loan Banks, except for:
  - Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
  - Obligations whose payments represent the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
  - Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
  - Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
- Fully collateralized repurchase and reverse repurchase agreements having a defined termination date, secured by any obligation of the United States, its agencies or its instrumentalities, to include certain mortgage-backed securities of the United States. The repurchase and reverse repurchase agreements are placed only with a primary government securities dealer, or a state or national bank doing business in the state of Texas. The repurchase and reverse repurchase agreements made by an investing entity will be submitted for clearing and settlement to a covered clearing agency, as defined by the SEC in Rule 17Ad-22 (17 C.F.R. Section 240.17Ad-22).
- Money market mutual funds which are no-load, registered with and regulated by the SEC, which provide a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, complies with federal Securities and Exchange Commission rule 2a-7, as promulgated under the Investment Company Act of 1940, maintain a dollar-weighted average stated maturity of 90 days or fewer, and which include in its investment objectives the maintenance of a stable net asset value of \$1.00 for each share.
- Certificates of deposit issued by national or state banks or credit unions, including savings banks, provided that such bank or credit union is domiciled in Texas. The certificates of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund and secured by obligations of the United States, its agencies or instrumentalities or as otherwise required by law.
- Commercial paper that matures in 365 days or less from the date of its issuance, rated at least A-1 or P-1 (or the equivalent thereof) by either two nationally recognized statistical rating organizations (NRSRO) or one NRSRO and is fully secured by an irrevocable letter of credit by a national or state bank.

## Texas Local Government Investment Pool Prime

### Notes to Financial Statements

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#### Note 3. Investments (Continued)

TexPool Prime is designed to be highly liquid in order to give Participants immediate access to their account balance. Therefore, the weighted-average maturity of the investments (calculated using the reset date for variable rate notes) of TexPool Prime cannot exceed 60 days. At August 31, 2025 and 2024, the approximate weighted-average maturity of the portfolio was 45 and 40 days, respectively.

Securities transactions are recorded on a trade date basis. Interest income, adjusted for amortization of premiums and accretion of discounts on investments, is accrued daily. Income to Participants is accrued daily and distributions or reinvestment of the income is made monthly.

Securities purchased under agreements to resell (repurchase agreements) are treated as investments, are collateralized by negotiable and eligible government securities and are carried at the amounts at which the securities were purchased as specified in the respective agreements.

Collateral on repurchase agreements is maintained in a segregated account by a third-party custodian upon entering into the repurchase agreement. The collateral is marked to market daily to ensure its market value as being at least equal to 100% of the resale price of the repurchase agreement. The November 2023 investment policies states that collateral on repurchase agreements will be equal to at least 102% of the total market value of the repurchase agreements, including accrued interest.

In accordance with GASB requirements applicable to investment pools, investments are carried at amortized cost, which approximates fair value, as provided for by the Codification. However, GASB also requires fair value measurement disclosures. TexPool Prime categorizes its fair value measurement disclosures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy prioritizes valuation inputs used to measure the fair value of the asset or liability in three broad categories. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2 and 3 (lowest priority level) of the fair value hierarchy are defined as follows:

**Level 1:** Inputs using unadjusted quoted prices in active markets or exchanges in identical assets or liabilities.

**Level 2:** Significant other observable inputs, which may include, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets, and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

**Level 3:** Valuations for which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity for the asset or liability.

If the fair value is measured using inputs from different levels in the fair value hierarchy, the measurement should be categorized based on the lowest priority level input that is significant to the valuation. TexPool Prime's assessment of significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

## Texas Local Government Investment Pool Prime

### Notes to Financial Statements

#### Note 3. Investments (Continued)

TexPool Prime has the following recurring fair value measurements as of August 31, 2025 and 2024:

	2025	Par Value	Carrying Value	Fair Value	Fair Value Measurements Using		
					Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level:</b>							
Debt securities:							
Securities purchased under agreement to resell		\$ 4,716,618,000	\$ 4,716,618,000	\$ 4,716,618,000	\$ -	\$ 4,716,618,000	\$ -
Commercial paper		11,111,488,000	11,036,798,672	11,036,209,282	-	11,036,209,282	-
Total investments by fair value level		\$ 15,828,106,000	\$ 15,753,416,672	\$ 15,752,827,282	\$ -	\$ 15,752,827,282	\$ -
<b>Investments by fair value level:</b>							
Debt securities:							
Securities purchased under agreement to resell		\$ 3,589,809,000	\$ 3,589,809,000	\$ 3,589,809,000	\$ -	\$ 3,589,809,000	\$ -
Commercial paper		10,808,484,000	10,731,265,253	10,735,166,946	-	10,735,166,946	-
Total investments by fair value level		\$ 14,398,293,000	\$ 14,321,074,253	\$ 14,324,975,946	\$ -	\$ 14,324,975,946	\$ -

	2024	Par Value	Carrying Value	Fair Value	Fair Value Measurements Using		
					Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level:</b>							
Debt securities:							
Securities purchased under agreement to resell		\$ 3,589,809,000	\$ 3,589,809,000	\$ 3,589,809,000	\$ -	\$ 3,589,809,000	\$ -
Commercial paper		10,808,484,000	10,731,265,253	10,735,166,946	-	10,735,166,946	-
Total investments by fair value level		\$ 14,398,293,000	\$ 14,321,074,253	\$ 14,324,975,946	\$ -	\$ 14,324,975,946	\$ -

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. Debt securities, commercial paper and repurchase agreements classified as Level 2 of the fair value hierarchy are valued using other observable significant inputs including, but not limited to, quoted prices for similar securities, interest rates and a fixed-income pricing model. Money market mutual funds classified as Level 1 of the fair value hierarchy are valued using a published net asset value per share of \$1.00.

The following tables provide additional information about TexPool Prime's investment portfolio as of August 31, 2025 and 2024:

		August 31, 2025		
		Ranges of		Maturity Dates
		Interest Rates	Interest Rates	
Securities purchased under agreement to resell		4.330% to 4.380%	4.330% to 4.380%	09/02/2025-10/14/2025
Commercial paper		0.000% to 4.810%	0.000% to 4.810%	09/02/2025-08/06/2026
United States treasuries		NA	NA	NA
Money market mutual funds		NA	NA	NA

		August 31, 2024		
		Ranges of		Maturity Dates
		Interest Rates	Interest Rates	
Securities purchased under agreement to resell		5.300% to 5.350%	5.300% to 5.350%	09/03/2024-09/26/2024
Commercial paper		0.000% to 5.870%	0.000% to 5.870%	09/03/2024-07/22/2025
United States treasuries		NA	NA	NA
Money market mutual funds		NA	NA	NA

## Texas Local Government Investment Pool Prime

### Notes to Financial Statements

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#### Note 3. Investments (Continued)

**Custodial credit risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, TexPool Prime would not be able to recover the loss of its investments or collateral securities that are in possession of an outside entity. As of August 31, 2025 and 2024, all of TexPool Prime's investments are held by the Federal Reserve or the custodian in TexPool Prime's name. TexPool Prime's bank balances are fully collateralized by Federal depository insurance. The amounts that exceed the Federal depository insurance coverage are collateralized by the institution holding the funds. At August 31, 2025 and 2024, TexPool Prime had cash balances of \$451 and \$940, respectively.

**Credit risk:** The TexPool Prime portfolio is designed and managed to ensure that it maintains its AAA rating (or the equivalent) by a nationally recognized statistical rating organization (NRSRO). As of August 31, 2025 and 2024, TexPool Prime investments in U.S. government securities, commercial paper and the underlying securities of Repurchase Agreements were rated A-1 by Standard & Poor's, P-1 by Moody's Investors Service and F-1 by Fitch ratings. As of August 31, 2025 and 2024, money market mutual funds were rated at least A-1 by Standard & Poor's and A by Moody's.

**Concentration of credit risk:** Up to 100% of TexPool Prime assets may be invested in government obligations of the United States, its agencies or instrumentalities. However, no more than 60% of the portfolio may be invested in variable rate notes. Up to 100% of TexPool Prime assets may be invested in direct repurchase agreements. The term of a reverse repurchase agreement may not exceed 90 days after the date of delivery. Up to 75% of TexPool Prime assets may be invested in commercial paper. No more than 25% of TexPool Prime assets may be invested in a single industry or business sector, provided that this limitation does not apply to securities issued or guaranteed by companies in the financial services industry. No more than 5% of TexPool Prime assets at the time of purchase may be invested in a single corporate entity. Up to 15% of the TexPool Prime assets may be invested in money market mutual funds that do not seek to maintain a stable net asset value per share. However, TexPool Prime may not acquire shares of a money market mutual fund that represent more than 10% of and outstanding shares of that fund at the time of purchase.

As of August 31, 2025, in accordance with investment policy concentration limits, TexPool Prime had more than 5% of the pool's investments in the following: 14.0% with JP Morgan and 6.4% with Bank of America. As of August 31, 2024, in accordance with investment policy concentration limits, TexPool Prime had more than 5% of the pool's investments in the following: 14.7% with Bank of America, 10.4% with JP Morgan and 5.0% with DZ Bank.

**Interest rate risk:** The weighted-average maturity of the portfolio is limited to 60 days calculated using the reset date for variable rate notes (VRNs) and 90 days or fewer using the final maturity date for VRNs, with the maximum maturity for any individual security in the portfolio not exceeding 397 days for fixed rate securities and 24 months for VRNs. The following schedule reflects the weighted-average maturity by investment type and TexPool Prime's portfolio as a whole:

Investment type:	Weighted-Average Maturity (Days)	
	2025	2024
Securities purchased under agreement to resell	5	5
Commercial paper	62	52
Money market mutual funds	NA	NA
United States Treasury securities	NA	NA
TexPool Prime's weighted-average maturity	45	40

**Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
*Government Auditing Standards***

**Independent Auditor's Report**

Honorable Kelly Hancock  
Acting Comptroller of Public Accounts of the State of Texas  
Texas Local Government Investment Pool Prime

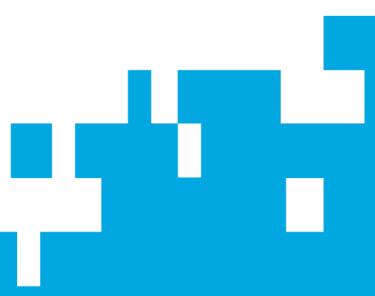
We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Texas Local Government Investment Pool Prime (TexPool Prime), an investment trust fund of the Texas Treasury Safekeeping Trust Company (Texas Trust), as of and for the year ended August 31, 2025, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered TexPool Prime's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TexPool Prime's internal control. Accordingly, we do not express an opinion on the effectiveness of TexPool Prime's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of TexPool Prime's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether TexPool Prime's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TexPool Prime's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TexPool Prime's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Austin, Texas  
December 13, 2025